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2.5.1 The satisfaction of public sector workers

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Luechinger at al. (2007, 2010) examined selection between public and private sector alongside satisfaction. Their starting assumption is that people allocate themselves into the public or private sector based on their individual characteristics; they choose – if they have the possibility – between sectors based on their life situation and preferences, and this results in additional satisfaction. They argue that the public sector is chosen primarily by people who are more risk averse or committed to social issues, while people who aspire to work in the private sector value more highly the opportunity of a dynamic career. Thus, the sectors might offer different sources of additional job satisfaction to different workers. By comparing actual allocation and satisfaction with a hypothetical random allocation and related satisfaction they show that self-selection produces a non-trivial amount of additional satisfaction.

When looking at job selection, the question might be raised of whether there are hidden advantages in the public sector that are not possible to measure directly due to their nature. The analysis of life satisfaction (in a different terminology – subjective well-being) might provide answers to such questions. *Luechinger at al.* (2008) examined whether there was a difference between the subjective well-being of public and private sector workers based on data from the European Social Survey and the Latinobarometer. If public sector workers are more satisfied with their life than workers in the private sector that indicates the existence of hidden rents other than higher wages, and it also suggests that entry into the public sector does not depend only on education and skills but also connections. In their international comparison they found a greater than five per cent difference in satisfaction between the public

and private sector in four countries (Czech Republic, Greece, Poland and Paraguay). Unfortunately Hungary was not included in the international comparison because there were no questions on the ownership status of the employer in the period they looked at.

Therefore subjective well-being in Hungary was examined. In an earlier paper (*Molnár and Kapitány, 2006*) we concluded that the sharp increase in household real income between 2000 and 2002 increased subjective well-being less than expected, especially among private sector employees. The reason was that people were uncertain about the sustainability of growth and prospects for the future. At the same time there was no significant difference in the subjective well-being of public and private sector workers.

Using the database from 2005–2006 the question was examined again using the same methods. We found no significant difference between the subjective well being of public sector employees, and also more closely civil servants, compared to those who

are employed in the private sector. This suggests that working in the public sector does not have systematic hidden benefits in Hungary. The 2013 wave of EU-SILC again had questions on subjective well-being. As soon as the dataset becomes available it will be possible to examine whether there have been any changes over the past few years.

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